

**OLIVET COMMUNITY SCHOOLS**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required and supplementary and additional information)**  
**YEAR ENDED JUNE 30, 2004**

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Olivet Community Schools  
Olivet, Michigan

September 30, 2004

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Olivet Community Schools, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Olivet Community Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has recorded an accounts payable and capital expenditure transaction in the general fund that was not completed as of June 30, 2004. Accounting principles generally accepted in the United States of America require that a transaction be completed in the period in which it is recorded. The effects of recording this transaction is an increase in liabilities and a decrease in fund balance at June 30, 2004 of \$93,000 in the general fund.

In our opinion, except for the effects, of recording the accounts payable and capital expenditure transaction for the general fund as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund of Olivet Community Schools as of June 30, 2004 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, capital projects fund, and the aggregate remaining fund information for the primary government of Olivet Community Schools as of June 30, 2004 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of July 1, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2004, on our consideration of Olivet Community Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through xii and 25, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Olivet Community Schools' basic financial statements. The additional information on pages 27 to 40 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mamer, Costeniser & Ellis, P.C." The signature is written in a cursive, flowing style.

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Olivet Community School's (OCS) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2004. The District implemented GASB #34 this year. Please read it in conjunction with the District's financial statements, which immediately follow this section. In the future, comparative analysis will be provided when prior year information becomes available.

### FINANCIAL HIGHLIGHTS

The District's general fund financial situation improved from the 2003 fiscal year to 2004. This marked the 3rd successive year in which the general fund equity position showed improvement.

As anticipated, our athletic fund had greater expenses for 2004 than revenue, with this amount budgeted in the general fund to cover the shortfall of the athletic fund.

The cafeteria program has continued to show an improvement in the fund balance from the prior year.

For the 2003-2004 school year, our capital projects fund has funded the completion of building improvements and additions at Fern Person's Elementary School and the High School. Building improvements continue at our Middle School and Auditorium addition. These expenditures totaled \$6.4 million in direct improvements to the District.

Total general fund revenues reached nearly \$9.9 million dollars with spending at nearly \$9.7 million dollars; total general fund revenues exceeded expenditures and transfers by slightly over \$200,000. With the current fund balance of 23% of expenditures and transfers, the District continues to have the necessary funds available to meet expenses without participating in short-term cash flow loans.

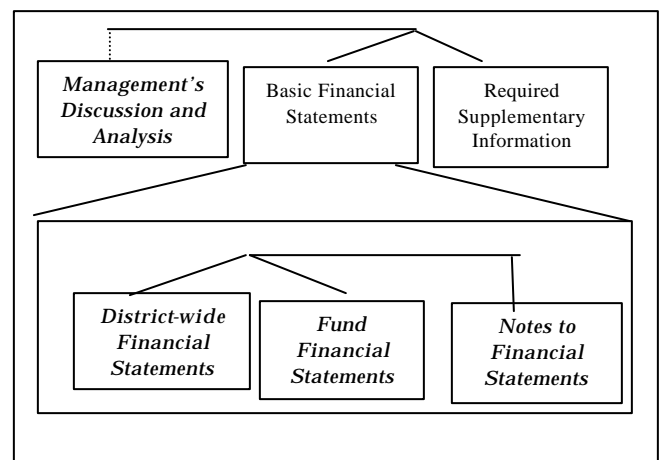
The District added to the fund balance even though student membership declined by 5.15 students and with the cut in state aid funding of \$74 a student. After the completion of the 2002-2003 school year, five teachers retired from the district. Three of these positions were not replaced, and two positions were replaced with entry level teachers. This savings exceeded \$200,000 (wages and benefits). Included in the 2004 expenditures are the purchase of one new school bus, and three used school buses and a significant technology upgrade.

### OVERVIEW OF THE FINANCIAL STATEMENTS

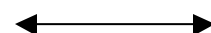
This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide notes to statements.

**Figure A-1**  
**Organization of Olivet Community**  
**School's Annual Financial Report**



Summary



Detail

- The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

<b>Figure A-2</b> <b>Major Features of District-Wide and Fund Financial Statements</b>			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, Olivet's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarized the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

## **DISTRICT-WIDE STATEMENTS**

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net assets include all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities:

- Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its building and site fund) or to show that it is properly using certain revenues (like school lunch and athletics).

The District has two kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.



## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets – The District’s combined net deficit was slightly less on June 30, 2004 than the year before, decreasing by \$243,884 to \$591,771. The other impact is District depreciation which was \$485,821 compared to District total capital purchases in 2004 of \$6,662,200. While this year these figures were similar this will not always be the case.

<b>Table A-3</b> <b>Olivet Community Schools</b>	
	2004
Current assets	\$ 10,083,932
Capital assets	14,988,696
Total assets	<u>\$ 25,072,628</u>
Long-term debt outstanding	\$ 22,060,160
Other liabilities	3,604,239
Total liabilities	<u>25,664,399</u>
Net assets (deficit)	
Invested in capital assets, net of related debt	(2,453,003)
Restricted for debt service	71,495
Unrestricted	<u>1,789,737</u>
Total net assets (deficit)	<u><u>\$ (591,771)</u></u>

<b>Table A-4</b> <b>Changes in Olivet Community School's Net Assets</b>	
	2004
Revenues:	
Program revenues:	
Charges for services	\$ 339,587
Federal and state operating grants	898,849
General revenues:	
Property taxes	1,593,598
Investment	51,849
State aid - unrestricted	7,964,979
ISD - special education	552,209
Other	51,383
Total revenues	<u>11,452,454</u>
Expenses:	
Instruction	5,936,584
Support services	3,271,406
Community services	23,116
Food services	334,989
Athletics	278,412
Interest on long-term debt	878,242
Unallocated depreciation	485,821
Total expenses	<u>11,208,570</u>
Change in net assets	<u><u>\$ 243,884</u></u>

## **District Governmental Activities**

The District's good financial shape has come about through a number of areas.

- Proposal A which established the student foundation grant concept, and has increased that amount from \$4,352 per student in 1995 to \$6,626 per student in 2004.
- Student count in the District has been steady. In fiscal year 2000 state aid membership was 1,308.88 and in four years has decreased minimally by .31% to 1,304.84. We anticipate a slight increase in student growth in the upcoming years.
- The District settled a three-year contract (language) with the teachers for the school years 2003-2006. Teacher's salaries and benefits were negotiated for a one-year contract and will be negotiated in the upcoming year for a two-year contract. A reasonable conservative approach has been taken in negotiations.
- Through the community support of our recent bond issue, we have significantly improved our educational facilities.
- Through budget cuts, the District has saved money by lowering non-instructional costs.

## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The good financial performance of the District as a whole is reflected in its governmental funds, with a combined fund balances of \$7.299 million compared to \$13.504 million in 2003. The general fund, fund balance increased by \$205,784 for the year. The capital projects fund, fund balance decreased by \$6.383 million.

Although total fund balances increased, the athletic funds had expenditures greater than revenues. The general fund contribution to the athletic fund brought this fund to its expected balance of matching revenues to expenditures. The food service fund balance increased by \$22,000 this year.

### **General Fund and Budget Highlights**

During the 2004 fiscal year the original District budget was amended several times to reflect changes which affected the District.

The initial amendment took place in late fall, following the student count and staff changes had been determined. Winter amendments took place to account for the unfavorable information coming from the state government regarding school financing. All programs and staff were maintained, only necessary expenditures were made to compensate for the decrease in funding from the state.

The final amended budget was with expenditures and transfers being \$41,397 higher than revenue. Final results showed that revenues came in slightly higher (\$69,819) than were anticipated, and expenses came in less (\$177,362). The net result was a positive change in fund balance of \$205,784, increasing the fund balance to \$2,236,879.

General fund expenditures came within 1.8% of budget. Inventory controls allowed the District to reduce expenditures for summer cleaning and preparation for fall school opening. Utilities and fuel expense came in lower than anticipated for the month of June. Special Education reimbursement from the Intermediate School District came in higher than anticipated. Lower levels of students in Drivers Education program also reduced teacher time as well as car rentals to operate that program.

The difference between the final District amended budget and end of the year figures amount to about 2.5%. The change from the Board adopted budget of June 2003 amounted to revenues which were greater by 2.7% and expenditures which were within \$175,000 of the final budget.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The District's capital assets are as follows:

<b>Table A-5 Olivet Community School's Capital Assets</b>			
	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
Land	\$ 116,900	\$	\$ 116,900
Construction in progress	4,121,258		4,121,258
Buildings and improvements	14,390,363	4,658,067	9,732,296
Technology	660,303	513,193	147,110
Furniture and fixtures	727,472	442,727	284,745
Machinery and equipment	479,097	278,847	200,250
Transportation equipment	862,311	476,174	386,137
<b>Total</b>	<b>\$ 21,357,704</b>	<b>\$ 6,369,008</b>	<b>\$ 14,988,696</b>

Capital asset purchases throughout fiscal 2004 include construction in progress, building improvements and buses. The total was approximately \$6.6 million. For more information see note 4.

### **LONG-TERM DEBT**

At year-end the District had \$22,758,619 long-term debt outstanding as shown in Table A-6. More detailed information is available in Note 6 to the financial statements.

The District paid down its debt by \$657,784 while there were increases during the year of \$351,780.

<b>Table A-6 Olivet Community Schools Outstanding Long-Term Debt</b>	
	<b>2004</b>
General obligation bonds	\$ 17,275,000
Durant - limited obligation bonds	87,431
School bond loan fund	4,827,013
Severance benefits	569,175
	<b>\$ 22,758,619</b>

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of four existing circumstances that could significantly affect its financial health in the future:

- While the 2004-2005 foundation allowance has been finalized by the State of Michigan, the foundation allowance represents 86 percent of total District revenue. The weak state economy could require reductions in state aid.
- Negotiations between the Board of Education are on-going, but at this point in time a new agreement has not yet been reached. Careful attention needs to be given to the rising costs of health insurance and retirement system costs.
- The District is plaintiff with other school districts in a lawsuit against the State, seeking to rectify inequities in the formula the State uses to apportion special education aid to the districts.
- Student count is projected to remain steady over the next five years.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Olivet Community Schools, 255 First Street, Olivet, Michigan 49076.

**OLIVET COMMUNITY SCHOOLS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2004**

	<b>Governmental activities</b>
<hr/>	
<b>ASSETS</b>	
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$ 5,088,951
Investments	3,130,316
Receivables:	
Other governmental units	1,799,032
Taxes	1,380
Other	20,450
Inventories	43,803
	<hr/>
<b>TOTAL CURRENT ASSETS</b>	<b>10,083,932</b>
	<hr/>
<b>NONCURRENT ASSETS:</b>	
Capital assets	21,357,704
Less accumulated depreciation	(6,369,008)
	<hr/>
<b>TOTAL NONCURRENT ASSETS</b>	<b>14,988,696</b>
	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 25,072,628</b>
	<hr/> <hr/>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$ 1,805,977
Accrued interest	122,517
Accrued salaries and related items	894,033
Deferred revenue	83,253
Current portion of long-term obligations	670,000
Current portion of severance benefits	28,459
	<hr/>
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,604,239</b>
	<hr/>
<b>NONCURRENT LIABILITIES:</b>	
Noncurrent portion of long-term obligations	21,519,444
Noncurrent severance benefits	540,716
	<hr/>
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>22,060,160</b>
	<hr/>
<b>TOTAL LIABILITIES</b>	<b>25,664,399</b>
	<hr/>
<b>NET ASSETS (DEFICIT):</b>	
Invested in capital assets, net of related debt	(2,453,003)
Restricted for debt service	71,495
Unrestricted	1,789,737
	<hr/>
<b>TOTAL NET ASSETS (DEFICIT)</b>	<b>(591,771)</b>
	<hr/>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 25,072,628</b>
	<hr/> <hr/>

See notes to financial statements.

**OLIVET COMMUNITY SCHOOLS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2004**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 5,936,584	\$ 14,700	\$ 658,065	\$ (5,263,819)
Support services	3,271,406		93,637	(3,177,769)
Community services	23,116	34,823		11,707
Food services	334,989	209,766	147,147	21,924
Athletics	278,412	80,298		(198,114)
Interest on long-term debt	878,242			(878,242)
Unallocated depreciation	485,821			(485,821)
Total governmental activities	<u>\$ 11,208,570</u>	<u>\$ 339,587</u>	<u>\$ 898,849</u>	<u>(9,970,134)</u>
General revenues:				
Property taxes, levied for general purposes				455,868
Property taxes, levied for debt service				1,137,730
Investment earnings				51,849
State sources				7,964,979
ISD special education allocation				552,209
Other				51,383
Total general revenues				<u>10,214,018</u>
<b>CHANGE IN NET ASSETS (DEFICIT)</b>				243,884
<b>NET ASSETS (DEFICIT), beginning of year</b>				<u>(835,655)</u>
<b>NET ASSETS (DEFICIT), end of year</b>				<u>\$ (591,771)</u>

See notes to financial statements.

OLIVET COMMUNITY SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	General fund	Capital project fund	Other nonmajor governmental funds	Total governmental funds
ASSETS				
ASSETS:				
Cash	\$ 206,173	\$ 4,639,854	\$ 242,924	\$ 5,088,951
Investments	1,407,558	1,722,758		3,130,316
Receivables:				
Other governmental units	1,799,032			1,799,032
Due from other funds			51,230	51,230
Due from fiduciary funds			15,311	15,311
Taxes receivable	1,380			1,380
Other	3,207		1,932	5,139
Inventories	36,630		7,173	43,803
TOTAL ASSETS	\$ 3,453,980	\$ 6,362,612	\$ 318,570	\$ 10,135,162
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 190,880	\$ 1,614,867	\$ 230	\$ 1,805,977
Accrued salaries and related items	893,038		995	894,033
Deferred revenue	81,953		2,680	84,633
Due to other funds	51,230			51,230
TOTAL LIABILITIES	1,217,101	1,614,867	3,905	2,835,873
FUND BALANCES:				
Reserved for inventory	\$ 36,630	\$	\$ 7,173	\$ 43,803
Reserved for debt service			194,012	194,012
Reserved for capital projects		4,747,745		4,747,745
Designated for severance benefits	569,175			569,175
Designated for subsequent year's expenditures	308,588			308,588
Undesignated	1,322,486		113,480	1,435,966
TOTAL FUND BALANCES	2,236,879	4,747,745	314,665	7,299,289
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,453,980	\$ 6,362,612	\$ 318,570	\$ 10,135,162
Total governmental fund balance				\$ 7,299,289
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and are not reported in the funds:				
The cost of the capital assets is			\$ 21,357,704	
Accumulated depreciation is			(6,369,008)	14,988,696
Long-term liabilities are not due and payable in the current period and are not reported in the funds:				
Bonds payable				(22,189,444)
Severance benefits				(569,175)
Accrued interest on long-term debt is not included as a liability in government funds, it is recorded when paid				(122,517)
Deferred revenue expected to be collected after September 1, 2004:				
Property taxes at June 30, 2004				1,380
Net assets (deficit) of governmental activities				\$ (591,771)





**OLIVET COMMUNITY SCHOOLS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2004**

**Net change in fund balances total governmental funds** \$ (6,205,530)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(485,821)
Capital outlay	6,662,200
Proceeds from capital assets sold	(13,870)
Loss on sale of capital assets	(26,008)

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	129,831
Accrued interest payable, end of the year	(122,517)

Proceeds of long-term debt are other financing sources and principal payments are expenditures in the governmental funds, but not in the statement of activities (where they are additions and reductions of liabilities)

Principal repayment	710,986
Proceeds from school bond loan fund	(216,397)
Proceeds from bus loan	(53,202)
Long-term interest on school bond loan fund (accrued)	(130,821)

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Deferred revenue, beginning of the year	(1,785)
Deferred revenue, end of the year	1,380

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued severance benefits, beginning of the year	564,613
Accrued severance benefits, end of the year	(569,175)

<b>Change in net assets of governmental activities</b>	<b>\$ 243,884</b>
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**OLIVET COMMUNITY SCHOOLS  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004**

	<b>Private purpose trust fund</b>	<b>Agency fund</b>
<b>ASSETS</b>		
Cash	\$ 39,508	\$ 107,230
Due from other funds		33
		<hr/>
Total assets	<u>\$ 39,508</u>	<u>\$ 107,263</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 1,777	\$
Due to student groups		91,952
Due to other funds		15,311
		<hr/>
Total liabilities	1,777	107,263
<b>NET ASSETS:</b>		
Reserved for trust activities	<u>37,731</u>	<hr/>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 39,508</u></u>	<u><u>\$ 107,263</u></u>

**OLIVET COMMUNITY SCHOOLS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND**  
**YEAR ENDED JUNE 30, 2004**

	<b>Private purpose trust fund</b>
<b>ADDITIONS:</b>	
Interest earnings	\$ 674
Donations	<u>20,705</u>
	21,379
<b>DEDUCTIONS:</b>	
Other	<u>7,355</u>
<b>CHANGE IN NET ASSETS</b>	14,024
<b>NET ASSETS:</b>	
Beginning of year	<u>23,707</u>
End of year	<u><u>\$ 37,731</u></u>

**OLIVET COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Olivet Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, except as described in Note 1 B. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Prior Period Adjustments**

The June 30, 2003 fund balance has been restated to show a decrease of \$64,501. The decrease is the result of the District implementing Governmental Accounting Standards Board Statement No. 33, and the adjustment of the District's accounts receivable as of June 30, 2003. The effect of this statement was to adjust the fund balance in the general fund.

**B. Adoption of New Accounting Standards**

During the fiscal period 2004, the District adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued June 1999; GASB Statement 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments Omnibus*, an amendment to GASB Statement No. 21 and No. 34, issued June 2001, and in GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, issued in 2001. These statements require the District to prepare a Management's Discussion and Analysis, government-wide financial statements on an accrual basis, and make some changes to the footnotes.

The following table shows beginning net assets restated for the effects of implementation of GASB Statement No. 34:

Fund balance at June 30, 2003 - governmental funds as previously reported	\$ 13,569,320
Prior period adjustment	<u>(64,501)</u>
Fund balance at July 1, 2003 - governmental funds as restated	13,504,819
Long-term liabilities	(22,500,010)
Net capital assets (restated)	8,852,195
Accrued interest	(129,831)
Deferred revenue - property taxes	1,785
Severance benefits	<u>(564,613)</u>
Restated net assets - July 1, 2003	<u>\$ (835,655)</u>

**OLIVET COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Adoption of New Accounting Standards (Concluded)**

The general fund, fund balance is understated by \$93,000 and accounts payable are overstated by \$93,000 as a result of recording busses not delivered until after year end.

**C. Reporting Entity**

The Olivet Community Schools (the “District”) is governed by the Olivet Community Schools Board of Education (the “Board”), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District’s reporting entity does not contain any component units as defined by Governmental Accounting Standards Board Nos. 14 and 39.

**D. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

**OLIVET COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Government-wide and fund financial statements (Continued)**

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Governmental Funds** – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *capital projects fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

The capital projects fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

The following is a summary of the revenue and expenditures for the capital projects bond activity since inception:

Revenue and other financing sources	<u>\$ 12,382,511</u>
Expenditures	<u>\$ 7,634,766</u>

**OLIVET COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Government-wide and fund financial statements (Concluded)**

**Other Non-major Funds**

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *debt service funds* account for the servicing of general long-term debt.

**Fiduciary funds** account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust fund* is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where both the principal and interest may be spent. These funds are not reported in the District financial statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**E. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Accrual Method**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Modified Accrual Method**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**OLIVET COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)**

**Modified Accrual Method (Concluded)**

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2004, the foundation allowance was based on pupil membership counts taken in February and September of 2003.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2003 to August 2004. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue.

**F. Other Accounting Policies**

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.



**OLIVET COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Other Accounting Policies (Continued)**

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2004, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General fund - non-homestead	17.8401
Debt service fund - 2003	4.7000
Debt service fund - 2002	4.3500

3. Inventories and Prepaid Expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

**OLIVET COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**F. Other Accounting Policies (Continued)**

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	30 - 50 years
Furniture and other equipment	5 – 20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Compensated Absences

The District's contracts generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

**OLIVET COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**F. Other Accounting Policies (Concluded)**

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.

**OLIVET COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)**

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. The Superintendent of Business is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2004. The District does not consider these amendments to be significant.

**NOTE 3 - DEPOSITS AND INVESTMENTS - CREDIT RISK**

Cash and cash equivalents are held separately in the name of the District by each of the District's funds.

Deposits

At year-end, the carrying amount of the District's deposits were \$5,235,689 and the bank balance was \$5,388,374 of which \$100,000 was covered by federal depository insurance and \$5,288,374 was uninsured and uncollateralized. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

Statement of net assets	\$ 5,088,951
Statement of fiduciary net assets:	
Agency fund	107,230
Private purpose trust fund	<u>39,508</u>
	<u><u>\$ 5,235,689</u></u>

**OLIVET COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS - CREDIT RISK (Concluded)**

Investments

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the District or its agent in the District's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.
3. Uninsured and unregistered, with the securities held by the counterparty, or by its trust department or agent but not in the District's name.

	Cost category			Fair value
	1	2	3	
Federal government bonds	\$ 1,814,619	\$	\$	\$ 1,722,758
Investments not subject to categorization:				
Investment in pooled investment funds				1,407,558
Total				\$ 3,130,316

The District voluntarily invests certain excess funds in external pooled investment funds, which includes money market funds. One of the pooled investment funds utilized by the District is the MCAF. This fund is an external pooled investment fund of "qualified" investments for Michigan school districts. This fund is not regulated nor is it registered with the SEC. This fund reports as of June 30, 2004, the fair value of the District's investment is the same as the value of the pool shares.

**OLIVET COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 – CAPITAL ASSETS**

A summary of changes in the District's capital assets follows:

	Balance July 1, 2003	Additions	Reclassification/ Deletions	Balance June 30, 2004
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 116,900	\$	\$	\$ 116,900
Construction in progress	898,451	3,711,454	488,647	4,121,258
Total capital assets not being depreciated	1,015,351	3,711,454	488,647	4,238,158
Capital assets, being depreciated:				
Buildings and improvements	11,278,242	3,119,104	6,983	14,390,363
Furniture and fixtures	607,440	52,863		660,303
Machinery and equipment	687,557	54,242	14,327	727,472
Technology	469,949	66,982	57,834	479,097
Transportation equipment	938,388	146,202	222,279	862,311
Total capital assets, being depreciated	13,981,576	3,439,393	301,423	17,119,546
Accumulated depreciation:				
Buildings and improvements	4,409,567	250,305	1,805	4,658,067
Furniture and fixtures	459,628	53,565		513,193
Machinery and equipment	419,092	37,962	14,327	442,727
Technology	220,620	81,361	23,134	278,847
Transportation equipment	635,825	62,628	222,279	476,174
Total accumulated depreciation	6,144,732	485,821	261,545	6,369,008
Net capital assets being depreciated	7,836,844	2,953,572	39,878	10,750,538
Net governmental capital assets	\$ 8,852,195	\$ 6,665,026	\$ 528,525	\$ 14,988,696

Depreciation for the fiscal year ended June 30, 2004 amounted to \$485,821. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**OLIVET COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2004 consist of the following:

Other governmental units (primarily the State of Michigan)	\$ 1,799,032
Taxes	1,380
Other	5,139
Fiduciary fund	15,311
	<u>\$ 1,820,862</u>

Amounts due from other governmental units include amounts due from federal, state and local sources for various projects and programs.

**NOTE 6 - LONG-TERM DEBT**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

	General obligation and serial bonds	School bond loan fund	Installment note payable	Severance benefits	Limited obligation durant bonds	Total
Balance, July 1, 2003	\$ 17,930,000	\$ 4,479,795	\$ 2,784	\$ 564,613	\$ 87,431	\$ 23,064,623
Additions		347,218		4,562		351,780
Deletions	655,000		2,784			657,784
Balance, June 30, 2004	17,275,000	4,827,013		569,175	87,431	22,758,619
Less current portion	670,000			28,459		698,459
Total due after one year	<u>\$ 16,605,000</u>	<u>\$ 4,827,013</u>	<u>\$</u>	<u>\$ 540,716</u>	<u>\$ 87,431</u>	<u>\$ 22,060,160</u>

**OLIVET COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM DEBT (Continued)**

Long-term obligation debt at June 30, 2004 is comprised of the following:

2002 general obligation bonds due in annual installments of \$225,000 to \$715,000 through May 1, 2028 with interest from 2.150% to 5.125%	\$ 11,500,000
2003 refunding serial bonds due in annual installments of \$295,000 to \$445,000 through May 1, 2020 with interest from 2.00% to 4.10%	<u>5,775,000</u>
	17,275,000
Limited obligation (Durant) bonds due in annual installments of \$6,624 to \$31,654 through May 2013 with an interest rate of 4.76%. Certain state aid payments have been pledged as security.	<u>87,431</u>
Total bonded debt	17,362,431
Borrowings from the State of Michigan under the School Bond Loan Fund Program, including interest	4,827,013
Obligation under contract for severance benefits	<u>569,175</u>
Total general long-term debt	<u><u>\$ 22,758,619</u></u>

Interest expense (all funds) for the year ended June 30, 2004 was \$754,382.

The Durant bonds, including interest, was issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2004, \$5,640,000 of bonds outstanding are considered defeased.



**OLIVET COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM DEBT (Concluded)**

The annual requirements to amortize long-term debt outstanding as of June 30, 2004, including interest of \$9,997,120 are as follows:

Year ending June 30,	Principal	Interest	Total
2005	\$ 670,000	\$ 722,410	\$ 1,392,410
2006	691,624	709,746	1,401,370
2007	726,654	701,656	1,428,310
2008	712,270	673,264	1,385,534
2009	717,616	652,444	1,370,060
2010 - 2014	3,724,267	2,877,412	6,601,679
2015 - 2019	4,020,000	2,104,650	6,124,650
2020 - 2024	3,295,000	1,193,532	4,488,532
2025 - 2028	2,805,000	362,006	3,167,006
Total	17,362,431	9,997,120	27,359,551
Accumulated severance benefits	569,175		569,175
School bond loan fund	4,827,013		4,827,013
	<u>\$ 22,758,619</u>	<u>\$ 9,997,120</u>	<u>\$ 32,755,739</u>

**NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund payable and receivable balances at June 30, 2004 are as follows:

Receivable Fund		Payable Fund	
Special revenue	\$ 51,191	General	\$ 51,230
Debt service	39		
	<u>\$ 51,230</u>		<u>\$ 51,230</u>

**OLIVET COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN**

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the twelve member board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2004 was 12.99%. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2004, 2003 and 2002 were approximately \$775,000, \$773,000, and \$704,000, respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post-employment Benefits - Under the MPERS Act, all retirees have the option of continuing health, dental and vision coverage.

**OLIVET COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - RISK MANAGEMENT**

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including property and casualty errors and omissions, fleet and employee health and accident insurance.

**NOTE 10 - TRANSFERS**

The general fund transferred \$202,384 to the athletic fund during the current fiscal year to subsidize operations.

**NOTE 11 – COMMITMENTS**

The District continues to complete its capital projects program. Management estimates they have another \$6.3 million of expenditures to complete the various projects.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**OLIVET COMMUNITY SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2004**

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget positive (negative)</b>
<b>REVENUES:</b>				
Local	\$ 563,070	\$ 561,798	\$ 561,368	\$ (430)
State sources	8,173,831	8,426,581	8,443,507	16,926
Federal sources	359,449	280,346	273,174	(7,172)
Incoming transfers and other transactions	414,300	491,714	552,209	60,495
Total revenues	9,510,650	9,760,439	9,830,258	69,819
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Basic programs	4,718,507	4,881,514	4,825,480	56,034
Added needs	1,137,692	1,092,476	1,079,529	12,947
Adult and continuing education	44,566	32,265	27,013	5,252
Total instruction	5,900,765	6,006,255	5,932,022	74,233
Support services:				
Pupil	229,928	242,739	239,455	3,284
Instructional staff	231,812	218,096	237,513	(19,417)
General administration	325,560	310,607	294,332	16,275
School administration	664,322	678,680	668,548	10,132
Business	147,242	204,046	200,763	3,283
Operations and maintenance	880,130	855,705	828,145	27,560
Transportation	638,914	822,213	799,813	22,400
Central	225,621	270,505	242,879	27,626
Other	70,000	30,000	22,576	7,424
Total support services	3,413,529	3,632,591	3,534,024	98,567
Community services	29,010	24,817	23,116	1,701
Total expenditures	9,343,304	9,663,663	9,489,162	174,501
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	167,346	96,776	341,096	244,320
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from bus loan	53,202	53,202	53,202	
Sale of school assets	500	15,225	13,870	(1,355)
Operating transfers out	(200,000)	(206,600)	(202,384)	4,216
Total other financing sources (uses)	(146,298)	(138,173)	(135,312)	2,861
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 21,048</u>	<u>\$ (41,397)</u>	<u>205,784</u>	<u>\$ 247,181</u>
<b>FUND BALANCE:</b>				
Beginning of year			2,031,095	
End of year			<u>\$ 2,236,879</u>	

## **ADDITIONAL INFORMATION**

**OLIVET COMMUNITY SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES  
JUNE 30, 2004**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Total nonmajor governmental funds</u>
<b>ASSETS</b>			
<b>ASSETS:</b>			
Cash and equivalents	\$ 48,721	\$ 194,203	\$ 242,924
Accounts receivable	1,932		1,932
Due from other funds	66,502	39	66,541
Inventory - food service	7,173		7,173
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 124,328</u></u>	<u><u>\$ 194,242</u></u>	<u><u>\$ 318,570</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$	\$ 230	\$ 230
Accrued salaries and related items	995		995
Deferred revenue	2,680		2,680
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<u>3,675</u>	<u>230</u>	<u>3,905</u>
<b>FUND BALANCES:</b>			
Reserved for inventory	7,173		7,173
Reserved for debt service		194,012	194,012
Undesignated	113,480		113,480
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL FUND BALANCES</b>	<u>120,653</u>	<u>194,012</u>	<u>314,665</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 124,328</u></u>	<u><u>\$ 194,242</u></u>	<u><u>\$ 318,570</u></u>

**OLIVET COMMUNITY SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2004**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Total nonmajor governmental funds</u>
<b>REVENUES:</b>			
Local sources:			
Property taxes	\$	\$ 1,137,730	\$ 1,137,730
Investment income	156	1,592	1,748
Other	290,064		290,064
Total local sources	290,220	1,139,322	1,429,542
State sources	12,854		12,854
Federal sources	134,293		134,293
Total revenues	437,367	1,139,322	1,576,689
<b>EXPENDITURES:</b>			
Current :			
Athletics	278,412		278,412
School lunch	334,989		334,989
Debt service:			
Principal repayment		655,000	655,000
Interest and other fiscal charges		754,735	754,735
Total expenditures	613,401	1,409,735	2,023,136
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(176,034)	(270,413)	(446,447)
<b>OTHER FINANCING SOURCES:</b>			
Proceeds from school bond loan fund		216,397	216,397
Operating transfers in	202,384		202,384
Total other financing sources	202,384	216,397	418,781
<b>NET CHANGE IN FUND BALANCES</b>	26,350	(54,016)	(27,666)
<b>FUND BALANCES:</b>			
Beginning of year	94,303	248,028	342,331
End of year	\$ 120,653	\$ 194,012	\$ 314,665



**OLIVET COMMUNITY SCHOOLS  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2004  
with comparative totals for June 30, 2003**

	<b>School lunch fund</b>	<b>Athletics fund</b>	<b>Totals</b>	
			<b>2004</b>	<b>2003</b>
<b>ASSETS</b>				
Cash and equivalents	\$ 46,136	\$ 2,585	\$ 48,721	\$ 48,895
Accounts receivable	1,932		1,932	523
Due from other funds	64,469	2,033	66,502	40,939
Due from other governmental units				1,994
Inventory - food service	7,173		7,173	7,741
	<u>\$ 119,710</u>	<u>\$ 4,618</u>	<u>\$ 124,328</u>	<u>\$ 100,092</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accrued salaries and related items	\$ 819	\$ 176	\$ 995	\$ 3,602
Deferred revenue	2,680		2,680	2,187
	<u>3,499</u>	<u>176</u>	<u>3,675</u>	<u>5,789</u>
<b>FUND BALANCES:</b>				
Reserved for inventory	7,173		7,173	7,741
Undesignated	109,038	4,442	113,480	86,562
	<u>116,211</u>	<u>4,442</u>	<u>120,653</u>	<u>94,303</u>
	<u>\$ 119,710</u>	<u>\$ 4,618</u>	<u>\$ 124,328</u>	<u>\$ 100,092</u>

**OLIVET COMMUNITY SCHOOLS  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2004  
with comparative totals for the year ended June 30, 2003**

	<b>School lunch fund</b>	<b>Athletics Fund</b>	<b>Totals</b>	
			<b>2004</b>	<b>2003</b>
<b>REVENUES:</b>				
Food sales	\$ 209,766	\$	\$ 209,766	\$ 187,834
Federal sources	134,293		134,293	127,042
State sources	12,854		12,854	19,495
Interest and miscellaneous	123	33	156	420
Athletic events		80,298	80,298	61,336
Total revenues	357,036	80,331	437,367	396,127
<b>EXPENDITURES:</b>				
Salaries and wages	117,905	163,069	280,974	272,863
Employee benefits	38,977	38,219	77,196	73,306
Supplies and other expenses	30,336		30,336	37,844
Food costs	147,771		147,771	132,399
Athletic expenses		77,124	77,124	75,325
Total expenditures	334,989	278,412	613,401	591,737
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	22,047	(198,081)	(176,034)	(195,610)
<b>OTHER FINANCING SOURCES:</b>				
Operating transfer in from general fund		202,384	202,384	218,318
<b>NET CHANGES IN FUND BALANCES</b>	22,047	4,303	26,350	22,708
<b>FUND BALANCES, beginning of year</b>	94,164	139	94,303	71,595
<b>FUND BALANCES, end of year</b>	<u>\$ 116,211</u>	<u>\$ 4,442</u>	<u>\$ 120,653</u>	<u>\$ 94,303</u>

**OLIVET COMMUNITY SCHOOLS  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2004  
with comparative totals for June 30, 2003**

	<b>2002 debt</b>	<b>2003 debt</b>	<b>Totals</b>	
			<b>2004</b>	<b>2003</b>
<b>ASSETS</b>				
Cash	\$ 73,392	\$ 120,811	\$ 194,203	\$ 247,990
Due from other funds		39	39	68,685
	<u>\$ 73,392</u>	<u>\$ 120,850</u>	<u>\$ 194,242</u>	<u>\$ 316,675</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 230	\$	\$ 230	\$
Due to other funds				68,647
	<u>230</u>		<u>230</u>	<u>68,647</u>
Total liabilities	230		230	68,647
Fund balances:				
Reserved for debt service	<u>73,162</u>	<u>120,850</u>	<u>194,012</u>	<u>248,028</u>
	<u>\$ 73,392</u>	<u>\$ 120,850</u>	<u>\$ 194,242</u>	<u>\$ 316,675</u>

**OLIVET COMMUNITY SCHOOLS  
DEBT SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2004  
with comparative totals for the year ended June 30, 2003**

	<b>2002 debt</b>	<b>2003 debt</b>	<b>Totals</b>	
			<b>2004</b>	<b>2003</b>
<b>REVENUES:</b>				
Local sources:				
Current taxes	\$ 546,721	\$ 591,009	\$ 1,137,730	\$ 1,101,015
Interest on investments	974	618	1,592	2,687
Total revenues	547,695	591,627	1,139,322	1,103,702
<b>EXPENDITURES:</b>				
Principal repayment	200,000	455,000	655,000	550,000
Issuance costs from refunding debt				106,722
Interest and other fiscal charges	548,739	205,996	754,735	434,594
Total expenditures	748,739	660,996	1,409,735	1,091,316
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(201,044)	(69,369)	(270,413)	12,386
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from school bond loan fund	216,397		216,397	102,170
Proceeds from refunding debt				6,230,000
Payout to refunding debt escrow agent				(6,285,801)
Total other financing sources (uses)	216,397		216,397	46,369
<b>NET CHANGES IN FUND BALANCES</b>	15,353	(69,369)	(54,016)	58,755
<b>FUND BALANCES:</b>				
Beginning of year	57,809	190,219	248,028	189,273
End of year	\$ 73,162	\$ 120,850	\$ 194,012	\$ 248,028

**OLIVET COMMUNITY SCHOOL DISTRICT  
FIDUCIARY FUNDS  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND LIABILITIES BY ACTIVITY - AGENCY FUND  
YEAR ENDED JUNE 30, 2004**

	<u>Balance 6/30/2003</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 6/30/2004</u>
High School:				
Business	\$ 814	\$	\$ (359)	\$ 455
1993	1			1
1997	(48)			(48)
1998	372			372
2000	1,114			1,114
2002	396		(21)	375
2003	540	1,533	(540)	1,533
2004	2,631	539	(1,075)	2,095
2005	2,458	7,104	(6,682)	2,880
2006	1,180	1,677	(1,324)	1,533
2007		3,669	(2,325)	1,344
FFA	1,369	8,921	(9,742)	548
Academic awards		1,900		1,900
Advanced choir	290		(290)	
Art club	148		(164)	(16)
Choir patron	3,264	5,699	(7,955)	1,008
Choir trip	506	2,266	(497)	2,275
Drama	1,038	4,055	(4,740)	353
In house	499	17,355	(16,242)	1,612
Interest	631		(578)	53
Library	170		(170)	
Newspaper	18			18
Student government	1,915	3,567	(3,665)	1,817
Volleyball	74	400	(107)	367
Arts festival	36	1,800	(359)	1,477
National Honor Society	5,095	27,776	(30,604)	2,267
Plan PSA tests	291	346	(487)	150
PSAT tests	(147)	147		
Quiz bowl	36	448	(480)	4
SMAA life	240		(240)	
Unknown	(53)	533	(475)	5
Weight Room POP	174		(174)	
Year book previous	(1,617)		149	(1,468)
Year book 2000-01	20		(20)	
Year book 2001-02	532		(532)	
Year book 2002-03	2,866	1,290	(5,416)	(1,260)
Year book 2003-04		4,321	(8)	4,313
Physical Ed	(436)	850		414

**OLIVET COMMUNITY SCHOOL DISTRICT  
FIDUCIARY FUNDS  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND LIABILITIES BY ACTIVITY - AGENCY FUND  
YEAR ENDED JUNE 30, 2004**

	<b>Balance 6/30/2003</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Balance 6/30/2004</b>
High School (Concluded):				
Cheerleading	\$ (183)	\$ 1,004	\$ (377)	\$ 444
SADD	239			239
Boys basketball	(156)		(66)	(222)
Sound system donation	80	150	(230)	
Senior send off	1,833	13,488	(15,290)	31
Soccer	200			200
Band boosters	500	500		1,000
Choir formal wear	(1,601)	1,601		
Softball	835	644	(835)	644
	<hr/>	<hr/>	<hr/>	<hr/>
Total high school	28,164	113,583	(111,920)	29,827
	<hr/>	<hr/>	<hr/>	<hr/>
Middle School:				
4th Grade trip	1,438	24,427	(25,178)	687
4th Grade Chavez	104		(590)	(486)
4th Gehrig	(43)	1,132	(647)	442
4th Wilbourn	460	596	(74)	982
4th Toburen	150	416	(82)	484
5th Vistemaker	1,246	1,120	(1,560)	806
5th Wheeler	363	507	(321)	549
5th Worden	525	790	(275)	1,040
6th Grade account	4,180	11,428	(10,754)	4,854
6th Ethiopian	(22)			(22)
7th Grade account	1,175	2,085	(2,101)	1,159
8th Grade account	356	542	(760)	138
8th Grade CHICAGO	507	24,714	(24,610)	611
"Adults Who Care"	1	333		334
Band account	166			166
Baseball account bicker	348	837	(1,007)	178
Grasp	577	1,145	(1,074)	648
Awards banquet	60			60
Peer mediation	101			101
Book fair	1,346	15,098	(11,952)	4,492
Choir	(8)	18		10
Coffee	669	255	(377)	547
Fundraiser	4,069	34,625	(33,224)	5,470
Interest	1,936	140		2,076
Office	3,015	4,106	(1,505)	5,616

**OLIVET COMMUNITY SCHOOL DISTRICT  
FIDUCIARY FUNDS  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND LIABILITIES BY ACTIVITY - AGENCY FUND  
YEAR ENDED JUNE 30, 2004**

	<b>Balance 6/30/2003</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Balance 6/30/2004</b>
Middle School (Concluded):				
Parent advisory	\$ 223	\$	\$	\$ 223
Spoelstra	135			135
Staff scholar	105			105
Student Council	8,302	4,329	(9,500)	3,131
Summer school	3,280			3,280
Marchett Environmental	6			6
Math/Science Sly		24		24
Scholastic	269	61		330
St Jude's Math-A-Thon	66		(6)	60
Sweatshirt taylor	108	967	(967)	108
Ms. Daly physical education	509	1,150	(961)	698
5th Grade camp	3,660	8,678	(10,636)	1,702
Ski club	(184)	3,245	(3,091)	(30)
Kolar SPED room fund	(232)	58		(174)
Cookbook account	1,461	961	(28)	2,394
Movie Night SPED Ed	11			11
SAP Club	331	2,137	(1,565)	903
Art club		981	(339)	642
	<hr/>	<hr/>	<hr/>	<hr/>
Total middle school	40,769	146,905	(143,184)	44,490
	<hr/>	<hr/>	<hr/>	<hr/>
Elementary School:				
KDG Wine	834	1,271	(1,864)	241
KDG Sheldon	1,437	1,091	(1,826)	702
KDG Elsie	89	1,465	(1,334)	220
KDG Hubbard		1,123	(690)	433
1st Porter	695	236	(514)	417
1st London	659	364	(398)	625
1st Bibart	200		(206)	(6)
1/2 Shrontz - Tatrow	808	1,632	(1,999)	441
1/2 Wixson - Page	1,568	1,606	(2,522)	652
2nd Krauss	620	716	(1,028)	308
2nd Fisk	1,541	457	(820)	1,178
3rd Amey	166	696	(776)	86
3rd Crawford		508	(512)	(4)
3rd Johnson	(4)	926	(435)	487
3rd Wank	790	804	(561)	1,033
3rd Walker	661	1,560	(1,788)	433

**OLIVET COMMUNITY SCHOOL DISTRICT  
FIDUCIARY FUNDS  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND LIABILITIES BY ACTIVITY - AGENCY FUND  
YEAR ENDED JUNE 30, 2004**

	<b>Balance 6/30/2003</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Balance 6/30/2004</b>
Elementary School (Concluded):				
Book Fair	\$ 2,663	\$ 12,801	\$ (14,818)	\$ 646
Spartan Labels	1,190	2,173	(1,256)	2,107
Fund raiser	414	26,307	(26,770)	(49)
Interest	44	66		110
Office	1,048	905	(1,635)	318
Pop fund	164	3,795	(2,488)	1,471
Lori Post Fund	1,779	16,382	(17,225)	936
Science Bucienski	161			161
Sum + Fun	1,903			1,903
Unknown	78			78
Johncock Music	14			14
Project fund	690	2,008	(4)	2,694
	<hr/>	<hr/>	<hr/>	<hr/>
Total elementary school	20,212	78,892	(81,469)	17,635
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 89,145	\$ 339,380	\$ (336,573)	\$ 91,952
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



**OLIVET COMMUNITY SCHOOL DISTRICT  
BONDED DEBT  
JUNE 30, 2004**

Bond issue dated November 19, 2002 for erecting, furnishing and equipping an addition or additions to the Fern Persons Elementary School and Middle School/High School including an auditorium, classrooms and office space; partially remodeling, furnishing and refurbishing, equipping and re-equipping and acquiring, installing and equipping technology for the Fern Persons Elementary School and Middle School/High School buildings; improving athletic facilities; partially remodeling, furnishing and re-furnishing, equipping and re-equipping the existing gymnasium and cafeteria; developing and improving the site; and to pay the costs of issuing the bonds.

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 225,000	\$ 271,997	\$ 271,997	2005	\$ 768,994
255,000	268,622	268,622	2006	792,244
285,000	263,522	263,522	2007	812,044
305,000	259,104	259,104	2008	823,208
320,000	253,767	253,767	2009	827,534
340,000	247,367	247,367	2010	834,734
360,000	240,567	240,567	2011	841,134
380,000	233,367	233,367	2012	846,734
400,000	225,672	225,672	2013	851,344
420,000	217,172	217,172	2014	854,344
440,000	207,827	207,827	2015	855,654
460,000	197,817	197,817	2016	855,634
480,000	187,122	187,122	2017	854,244
500,000	175,722	175,722	2018	851,444
525,000	161,972	161,972	2019	848,944
550,000	147,534	147,534	2020	845,068
575,000	133,441	133,441	2021	841,882
600,000	118,706	118,706	2022	837,412
625,000	103,331	103,331	2023	831,662
650,000	87,706	87,706	2024	825,412
675,000	71,456	71,456	2025	817,912
700,000	54,581	54,581	2026	809,162
715,000	36,644	36,644	2027	788,288
715,000	18,322	18,322	2028	751,644
<u>\$ 11,500,000</u>	<u>\$ 4,183,338</u>	<u>\$ 4,183,338</u>		<u>\$ 19,866,676</u>

The above bonds have interest rates from 2.15% to 5.125%.

**OLIVET COMMUNITY SCHOOL DISTRICT  
BONDED DEBT  
JUNE 30, 2004**

Bond issue dated March 26, 2003 for the purpose of refunding the School District's outstanding 1993 refunding bonds which are due and payable in the years 2005 through 2020.

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 445,000	\$ 89,208	\$ 89,208	2005	\$ 623,416
430,000	84,758	84,758	2006	599,516
410,000	80,458	80,458	2007	570,916
400,000	76,358	76,358	2008	552,716
390,000	71,458	71,458	2009	532,916
375,000	65,998	65,998	2010	506,996
365,000	60,373	60,373	2011	485,746
355,000	54,533	54,533	2012	464,066
340,000	48,675	48,675	2013	437,350
355,000	42,895	42,895	2014	440,790
345,000	36,683	36,683	2015	418,366
330,000	30,473	30,473	2016	390,946
325,000	24,368	24,368	2017	373,736
310,000	18,193	18,193	2018	346,386
305,000	12,148	12,148	2019	329,296
295,000	6,048	6,048	2020	307,096
<u>\$ 5,775,000</u>	<u>\$ 802,627</u>	<u>\$ 802,627</u>		<u>\$ 7,380,254</u>

The above bonds have interest rates from 2.00% to 4.10%.

**OLIVET COMMUNITY SCHOOL DISTRICT  
BONDED DEBT  
JUNE 30, 2004**

\$229,022 Durant Bond issued November 24, 1998:

Principal due May 1	Interest due May 15	Debt service requirement for fiscal year	
		June 30,	Amount
\$	\$	2004	\$ -
		2005	-
6,624	2,986	2006	9,610
31,654	13,696	2007	45,350
7,270	2,340	2008	9,610
7,616	1,994	2009	9,610
7,979	1,631	2010	9,610
8,359	1,252	2011	9,611
8,756	854	2012	9,610
9,173	437	2013	9,610
<u>\$ 87,431</u>	<u>\$ 25,190</u>		<u>\$ 112,621</u>

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to the existing high school building and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

**OLIVET COMMUNITY SCHOOL DISTRICT**  
**BONDED DEBT**  
**JUNE 30, 2004**

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Bond Loan Program. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from the State under this program have been summarized as follows:

<u>Year ended June 30,</u>	<u>Loan proceeds</u>	<u>Interest payments</u>	<u>Interest expense</u>	<u>Loan balance</u>
1996	\$ 2,019,158	\$	\$ 233,407	\$ 2,252,565
1997	287,804		131,316	2,671,685
1998	244,237		151,526	3,067,448
1999	275,007		163,703	3,506,158
2000	134,109		183,707	3,823,974
2001	111,537		191,936	4,127,447
2002	55,165	(125,000)	175,225	4,232,837
2003	102,170		144,788	4,479,795
2004	216,397		130,821	4,827,013
Totals June 30, 2004	<u>\$ 3,445,584</u>	<u>\$ (125,000)</u>	<u>\$ 1,506,429</u>	<u>\$ 4,827,013</u>



Lamonte T. Lator  
Bruce J. Dunn  
Jeffrey C. Stevens  
Linda I. Schirmer  
Steven W. Scott  
David M. Raack  
Robert E. Miller, Jr.  
Steven B. Robbins  
James E. Nyquist  
James R. Dedyne

Timothy H. Adams  
David B. Caldwell  
Edward L. Williams, III  
Timothy J. Orians  
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education  
Olivet Community Schools  
Olivet, Michigan

September 30, 2004

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Olivet Community Schools as of and for the year ended June 30, 2004, which collectively comprise Olivet Community School's basic financial statements and have issued our report thereon dated September 30, 2004. The report on the general fund was qualified because accounts payable and expenditures were overstated by \$93,000 due to the late delivery of school busses. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Olivet Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Olivet Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Olivet Community Schools in a separate letter dated September 30, 2004.

Board of Education  
Olivet Community Schools  
Olivet, Michigan

September 30, 2004

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mamay, Costenisan & Ellis, P.C.*

Certified Public Accountants



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Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1953-1988)

September 30, 2004

To the Board of Education  
Olivet Community School District  
Olivet, Michigan

In planning and performing our audit of the financial statements of Olivet Community School District for the year ended June 30, 2004, we considered the Olivet Community School District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated September 30, 2004, on the financial statements of Olivet Community School District.

**Government Accounting Standards Board (GASB) Statement #40 "Deposit and Investment Disclosures"**

Effective June 30, 2005, governmental entities will be required to expand their current disclosure requirements addressing common risks of the deposits and investments. The disclosure requirements apply to debt and an equity investment held directly by the entity or indirectly by investment advisors and requires that a governmental entity disclose investment policies that are related to custodial credit risk, custodial risk, concentration of credit risk, interest rate risk and foreign currency risk. If the entity has adopted no policy with respect to a particular risk, that fact should be part of the disclosure.

The District should review its investment policies to determine all common risk areas are identified and the appropriate level of risk of each area is quantified.

### **Bonds**

For all bonds issued after May 1, 1994, a separate interim audit must be completed for each individual series of a bond authorization prior to the issuance of the next series. This interim audit must be completed within 120 days after completion of all projects and filed immediately with the Department of Treasury. This requirement is pursuant to Section 1351a(2) of Acts 451 of the Public Acts of 1976. The management of the District should contact us with information as to the completion of all capital projects meeting this requirement so we can perform our audit procedures in a timely manner.

### **Financial Information Database (FID) Filing**

The Center for Educational Performance and Information (CEPI) is preparing for the implementation of a new upload application/database for financial reporting for school districts in Michigan. This new application/database is called the Financial Information Database (FID). This submission is due November 15, 2004. The EDN/Form B submission process has been eliminated and is no longer available. We strongly recommend your filing be done earlier this year to ensure all changes have been accepted. The penalty for late filing is withholding of your state aid by the state of Michigan.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various school district personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.



To the Board of Education  
Olivet Community School District  
Olivet, Michigan

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September 30, 2004

This report is intended solely for the information and use of Olivet Community School District, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

*Mama, Costanza & Ellis, P.C.*



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September 30, 2004

To the Finance Committee  
Olivet Community Schools  
Olivet, Michigan

We have audited the financial statements of Olivet Community Schools for the year ended June 30, 2004, and have issued our report thereon dated September 30, 2004. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Audit Standards

As stated in our engagement letter dated June 15, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Olivet Community Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Olivet Community Schools' compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Olivet Community Schools are described in Note 1 to the financial statements. During 2004, the District adopted the new governmental reporting model as required by Governmental Accounting Standard Board (GASB) Statement No. 34. We noted no transactions entered into by Olivet Community Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus other than as follows:

The District recorded the purchase of transportation vehicles which were not delivered until after June 30, 2004 in the current fiscal year. This resulted in general fund expenditures being overstated by \$93,000 and the general fund, fund balance being understated by \$93,000.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Estimates have been used in calculating the liability for employee compensated absences. At June 30, 2004 the balance reported was approximately \$570,000. Certain amounts included in capital assets have been based on an outside appraisal company.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Olivet Community Schools' financial reporting process (that is, cause future financial statements to be materially misstated).

During our audit, we proposed an audit adjustment to correct the improper recording of a transaction that was not completed as of June 30, 2004. The effect not recording this adjustment is the overstating of liabilities and expenditures by \$93,000 and the understatement of general fund, fund balance by \$93,000 due to the vehicles not being delivered until after June 30, 2004. Due to the significance of not recording this adjustment a qualified opinion was issued on the general fund.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We recommend that transaction noted in item #2 not be recorded.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Olivet Community Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the board of education, management, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service and would be happy to discuss the foregoing items at your convenience.

Very truly yours,

A handwritten signature in black ink, reading "Mamer, Costeniser & Ellis, P.C." The signature is written in a cursive, flowing style.